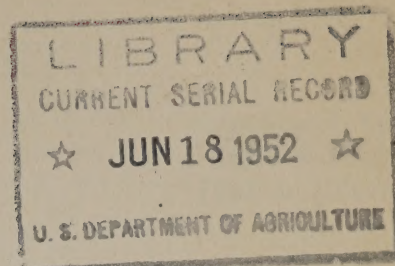


1.933
R 1125
copy 2

FOR Administrative use
ONLY



REA BOOKKEEPING COURSE

Supplement

to

Text No. 21

Repayment of Obligations to REA

(March 1952)

THE BOOKKEEPING COURSE

REQUISITE

20

Test No. 21

REQUISITE OF OBLIGATION TO RE

(March 1972)

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

REPAYMENT OF OBLIGATIONS TO REA

Supplement to
Text No. 21
(March 1952)

IMPROVEMENTS IN BILLING STATEMENT AS OF MARCH 1952

The improvements in the revised billing procedure enumerated below served to:

1. Reduce the number of statements sent to each borrower.
2. Produce quarterly statements more simplified in arrangement than at present.
3. Establish uniform method for computing interest.
4. Establish due dates as of the end of the month.
5. Cause the due dates to coincide with the end of the borrowers' accounting periods, thereby avoiding the need for adjustments.

The improvements in the revised billing procedure include the following:

- A. The due date of all principal and interest payments were changed to the last day of the calendar month. Loan payment dates were adjusted to the last day of the month, generally nearest the present quarterly payment dates. The dates were so arranged that all borrowers in the same state have the same due date.
- B. Revised forms were designed for quarterly statements to borrowers. The principal feature of the new forms is the listing of ALL NOTES in the same status on one statement. This means that all notes in the deferred interest period are listed on one statement and all notes in the amortization period are shown on one statement. Samples of the new forms are attached. Each borrower receives quarterly:

(1) Statement of Loan Account - Notes in Deferred Interest Period.

This statement presents the deferred interest accrued for the quarterly period, the deferred interest balance to date and the principal balance of each such note. This statement is forwarded to the borrower approximately 10 days after the end of each quarterly period.

(2) Statement of Interest and Principal Due - Notes in Amortization Period.

This statement presents the amount due for the quarterly period on each note, for current interest, deferred interest, and principal. This statement is forwarded to the borrower about 15 days before each quarterly due date and constitutes the billing pursuant to which the quarterly payments of the borrower should be made.

(3) Statement of Loan Account - Notes in Amortization Period.

This statement reflects the status of all notes in the amortization period and the status of the cushion of credit as of the date shown. With respect to each such note this form shows the balances carried forward from the previous statement, amounts that subsequently became due, amounts applied as of the date of the statement, and the new balances. This statement is forwarded to the borrower as soon as practicable after the payment is received.

On the statements listed above, the notes of each borrower are identified by a code number assigned to each note. Each borrower has been provided a list of its notes keying the present note designations to the assigned code numbers.

C. A uniform method for computing interest on all loan balances is now used. The actual day basis for computing interest which was employed only during the deferred interest period also is now used for notes in the amortization period and the quarterly factor basis was discontinued. This change did not result in any appreciable difference in the amount of interest charges for a calendar year.

D. The previous REA practice of crediting cushion of credit payments to specific notes was discontinued. Such payments are now credited, instead, to the loan as a whole. Interest saved by borrowers as the result of cushion of credit payments no longer is shown as the reduction in the interest on any particular note or notes, but is now shown as a credit, which is added to the cushion of credit balance.

The cushion of credit balance is held as a reserve, and may be applied, to the extent necessary, to any future payments of interest and principal which are not paid when due. This change does not in any way restrict the borrowers' right to retire a note in full prior to the maturity date, if so desired.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
WASHINGTON, D. C.

STATEMENT OF INTEREST AND PRINCIPAL DUE
NOTES IN AMORTIZATION PERIOD

THE ELECTRIC COOP INC
24 MAIN ST
TOWN STATE

REFERENCE NO. 7002

DUE DATE 33151
MO. DAY YR.

CODE NUMBER OF
BORROWER'S
DESIGNATION.

DATE WHEN PAYMENT
IS DUE.

TRANSACTION CODE.
EXPLANATION SHOWN
ON RIGHT SIDE OF
STATEMENT

NOTE CODE NUMBER.
FOR EXPLANATION
OF NOTE CODE
NUMBERING SYSTEM,
SEE NOTE A BELOW

CUSHION OF CREDIT
CODE NUMBER. FOR
EXPLANATION OF
NUMBERING SYSTEM
FOR CUSHION OF
CREDIT, SEE NOTE
B BELOW.

AMOUNT OF CURRENT
INTEREST DUE ON
EACH OF THE NOTES
LISTED.

AMOUNT OF INTEREST
SAVED AS RESULT OF
CUSHION CREDIT
PAYMENTS AND WHICH
IS DEDUCTED FROM
THE TOTAL OF
CURRENT INTEREST
DUE.

AMOUNT OF DEFERRED
INTEREST DUE ON
EACH OF THE NOTES
LISTED.

TOTAL OF CURRENT
INTEREST DUE.

CODE:
1. PREVIOUS BALANCE DUE
3. DUE THIS PERIOD
5. PRE. BAL OTHER DEF. INT.
6. OTHER DEF. INT. DUE THIS PD.
CR. CUSHION OF CREDIT:

TRANSACTION CODE.

AMOUNT OF PRINCIPAL
DUE ON EACH OF THE
NOTES LISTED.

INCREASE IN AMOUNT
OF CUSHION OF
CREDIT AS RESULT
OF SAVING OF
INTEREST

CHECK SHOULD BE MAILED IN
TIME TO REACH REA ON OR
BEFORE DUE DATE.

MAKE CHECK PAYABLE:
TREASURER OF THE U. S.
MAIL DIRECTLY TO:
U. S. DEPT. OF AGRICULTURE
RURAL ELECTRIFICATION ADMIN.
WASHINGTON 25, D. C.

Return the copy of this
statement with check.

PAY THIS AMOUNT

TOTAL OF PRINCIPAL
DUE.

TOTAL AMOUNT DUE.

NOTE NUMBER	C R E D I T	INTEREST		PRINCIPAL
		CURRENT	DEFERRED	
40103		70058		323698
40203		120037		213843
40303		63471		110094
40403		42825		69526
40803		74268	1240	94763
41003		245236	7374	298152
49903		63000CR		63000
TOTAL		552895	8614	1173076

CUSHION
OF CREDIT

12600000

1734585

TOTAL OF DEFERRED
INTEREST DUE.

TOTAL OF CUSHION
OF CREDIT AT DATE
OF THIS STATEMENT.

NOTE A - THE CODE NUMBERS USED IN IDENTIFYING THE NOTES
CONSIST OF 4 DIGITS. THE FIRST DIGIT DESIGNATES THE TYPE
OF LOAN. NOTES FOR ELECTRIC CONSTRUCTION ARE IDENTIFIED
BY THE NUMBER 4, INSTALLATION NOTES BY THE NUMBER 5, AND
TELEPHONE NOTES BY THE NUMBER 2. THE SECOND AND THIRD
DIGITS SHOW THE CONSECUTIVE NUMBER OF THE NOTE. THE FINAL
DIGIT INDICATES WHETHER THE NOTE IS THE BASIC NOTE
(ORIGINAL) OR AN AMENDMENT. A ZERO IN THE FOURTH DIGIT
INDICATES THAT THE NOTE IS A BASIC NOTE WHILE THE NUMBER
1, 2, 3 ETC. INDICATES THE FIRST, SECOND, THIRD, ETC.
AMENDMENT.

NOTE B - SINCE THE CUSHION OF CREDIT WILL BE TREATED AS
A SEPARATE UNIT, IT WILL BE GIVEN A NUMBER, THE FIRST
DIGIT OF WHICH WILL BE EITHER 4 OR 2, DEPENDING ON THE
TYPE OF LOAN. THE SECOND AND THIRD DIGITS WILL BE 99 IN
ALL CASES. THE FOURTH DIGIT WILL BE ZERO.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
WASHINGTON, D. C.

STATEMENT OF LOAN ACCOUNT
NOTES IN DEFERRED INTEREST PERIOD

THE ELECTRIC COOP INC
24 MAIN ST
TOWN STATE

REFERENCE NUMBER 7002

INTEREST ACCRUED THROUGH:
MO. DAY YR. 3 31 51

CODE NUMBER OF BORROWER'S DESIGNATION

DATE TO WHICH INTEREST ACCRUED WAS COMPUTED.

NOTE CODE NUMBER. FOR EXPLANATION OF NOTE CODE NUMBERING SYSTEM, SEE NOTE A BELOW.

AMOUNT OF DEFERRED INTEREST ACCRUED SINCE DATE OF PREVIOUS STATEMENT FOR EACH NOTE LISTED.

DEFERRED INTEREST BALANCE FOR EACH NOTE LISTED

NOTE NUMBER	DEFERRED INTEREST THIS PERIOD	DEFERRED INTEREST BALANCE	PRINCIPAL BALANCE OF NOTE (1)
4120	54247	538609	11000000
4130	239178	1663242	48500000
4140	27019	43448	5768675

TOTAL ADVANCES ON EACH NOTE LISTED.

THIS IS A STATEMENT ONLY.
THESE AMOUNTS ARE NOT DUE.

CUSHION OF CREDIT

(1) TOTAL ADVANCES LESS CUSHION OF CREDIT.

NOTE A - THE CODE NUMBERS USED IN IDENTIFYING THE NOTES CONSIST OF 4 DIGITS. THE FIRST DIGIT DESIGNATES THE TYPE OF LOAN. NOTES FOR ELECTRIC CONSTRUCTION ARE IDENTIFIED BY THE NUMBER 4, INSTALLATION NOTES BY THE NUMBER 5, AND TELEPHONE NOTES BY THE NUMBER 2. THE SECOND AND THIRD DIGITS SHOW THE CONSECUTIVE NUMBER OF THE NOTE. THE FINAL DIGIT INDICATES WHETHER THE NOTE IS THE BASIC NOTE (ORIGINAL) OR AN AMENDMENT. A ZERO IN THE FOURTH DIGIT INDICATES THAT THE NOTE IS A BASIC NOTE WHILE THE NUMBER 1, 2, 3 ETC. INDICATES THE FIRST, SECOND, THIRD, ETC. AMENDMENT.

DATE OF BIRTH
PLACE OF BIRTH
DATE OF DEATH

DATE OF BIRTH
PLACE OF BIRTH
DATE OF DEATH

DATE OF BIRTH
PLACE OF BIRTH
DATE OF DEATH

NOTES ONLY
NOTES ARE NOT DUE

NOTES ONLY
NOTES ARE NOT DUE

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
WASHINGTON, D. C.

STATEMENT OF LOAN ACCOUNT
NOTES IN AMORTIZATION PERIOD

THE ELECTRIC COOP INC
24 MAIN ST
TOWN STATE

CODE NUMBER OF
BORROWER'S
DESIGNATION.

REFERENCE
NUMBER

7002

PAYMENT
DATE

4 0 6 5 1
MO. DAY YR.

CODE:

1. PREVIOUS BALANCE
2. DUE THIS PERIOD
3. RCV D THIS PERIOD
4. PRE. BAL - O. DEF. INT.
5. O. DEF. INT. DUE THIS PD.
6. O. DEF. INT. RCV D THIS PD.
7. DEBIT ADJUSTMENT
8. CREDIT ADJUSTMENT
9. NEW BALANCE
- CR CUSHION OF CREDIT

TRANSACTION CODE.

DATE PAYMENT
APPLIED BY REA.

NOTE CODE NUMBER.
FOR EXPLANATION OF
NOTE CODE NUMBERING
SYSTEM, SEE NOTE
A BELOW.

TRANSACTION CODE.
EXPLANATION SHOWN
ON RIGHT SIDE OF
STATEMENT.

AMOUNT OF CURRENT
INTEREST DUE AND
AMOUNT PAID ON
EACH NOTE LISTED.

AMOUNT OF DEFERRED
INTEREST DUE AND
AMOUNT PAID ON
EACH NOTE LISTED.

CUSHION OF CREDIT
CODE NUMBER. FOR
EXPLANATION OF
NUMBERING SYSTEM
FOR CUSHION OF
CREDIT, SEE NOTE
B BELOW.

AMOUNT OF INTEREST
SAVED AS RESULT
OF CUSHION OF
CREDIT PAYMENTS
AND WHICH IS DE-
DUCTED FROM TOTAL
OF CURRENT
INTEREST DUE.

PREVIOUS BALANCE
(BEFORE PAYMENT)
AND NEW BALANCE
(AFTER PAYMENT) OF
PRINCIPAL ON EACH
NOTE.

AMOUNT OF
PRINCIPAL DUE AND
AMOUNT PAID ON EACH
NOTE LISTED.

AMOUNT OF DEFERRED
INTEREST UNPAID
ON EACH NOTE.

AMOUNT OF CUSHION
OF CREDIT BEFORE
APPLICATION OF
AMOUNT SAVED IN
INTEREST.

INCREASE IN AMOUNT
OF CUSHION OF
CREDIT RESULTING
FROM THE SAVING
IN INTEREST.

AMOUNT OF CUSHION
OF CREDIT AFTER
APPLICATION OF
AMOUNT SAVED IN
INTEREST.

TOTAL OF
PRINCIPAL UNPAID.

TOTAL OF DEFERRED
INTEREST UNPAID.

NOTE NUMBER	CUSHION	INTEREST		PRINCIPAL	DEFERRED INTEREST UNPAID	PRINCIPAL BALANCE UNPAID
		CURRENT	DEFERRED			
40101		700 58		323 698		14224 200
40103		700 58		323 698		
40104						13900 502
40100						24352 585
40201		1200 37		21384 3		24138 742
40203		1200 37		21384 3		
40204						12876 602
40200						12766 508
40301		634 71		1100 94		86878 53
40303		634 71		1100 94		86183 27
40304						15065 159
40300						14545 2
40401		428 25		695 26		90647 4
40403		428 25		695 26		49744 512
40404						8991 00
40400						49446 360
40801		742 68	1240	947 63	1466 92	12600 000 CR
40803		742 68	1240	947 63		
40804						12663 000 CR
40800						
41001		2452 36	737 4	2981 52		
41003		2452 36	737 4	2981 52		
41004						10445 52
41000						11117 7835
49901		630 00 CR		630 00		
49903		630 00 CR		630 00		
49904						
49900						

NOTE A - The code numbers used in identifying the notes consist of 4 digits. The first digit designates the type of loan. Notes for electric construction are identified by the number 4, installation notes by the number 5, and telephone notes by the number 2. The second and third digits show the consecutive number of the note. The final digit indicates whether the note is the basic note (original) or an amendment. A zero in the fourth digit indicates that the note is a basic note while the number 1, 2, 3 etc. indicates the first, second, third etc. amendment.

NOTE B - Since the cushion of credit will be treated as a separate unit, it will be given a number, the first digit of which will be either 4 or 2, depending on the type of loan. The second and third digits will be 99 in all cases. The fourth digit will be zero.

(The following is supplementary to the paragraph on STRAIGHT LINE AMORTIZATION, page 17 of Text 21.)

PROVISIONS MADE IN NOTES ISSUED UNDER THE PACE ACT FOR REPAYMENT OF THE LOAN:

Interest shall be allowed to accumulate on the principal for a period of two or five years from the date of the note, or such other period as the note may state.

1. The principal shall be repaid over the remaining life of the note--33 or 30 years (in cases where the two or five-year amortization periods are used), at the rate of \$10.37 or \$11.10 per \$1,000.00 of the principal amount unpaid two or five years, respectively, after the date of the note. Each payment shall apply first to the current interest on the principal and next to the amount of principal due.
2. The accumulated interest shall be repaid in equal quarterly payments over the remaining life of the note--at the rate of \$7.58 or \$8.33 per \$1,000.00 of the amount of the accumulated interest unpaid two or five years after the date of the note; when such accumulating periods are applicable.
3. Any amount remitted in excess of the amounts due would be applied to increase the cushion of credit.

WIRING AND PLUMBING LOANS

Under Section 5 of the Rural Electrification Act of 1936, as amended, loans for the purpose of financing equipment, appliances, and wiring and plumbing installations for consumers may be made to borrowers which have received Section 4 loans. Interest on the loans is at the rate of 2 percent per annum.

The REA borrower is allowed to accrue interest on the principal to a date two years after the date of the Government note. On and after the second year of the note to and including five years after the date of the note, the borrower shall make a payment to REA on a date specified in the note each year at the rate of \$26.26 per \$100.00 on the principal amount thereof unpaid two years after the date of the note. Each such payment shall be applied first to the payment of the current interest on the principal and then on account of the principal. In addition to the above, the borrower shall on each payment date make a payment at the rate of \$25.00 per \$100.00 of the amount of the accumulated interest unpaid two years after the date of the note, which shall be applied on account of the accumulated interest.

So long as any of the principal of or interest on any note shall remain unpaid, the borrower shall, on or before the tenth (10th) day of each month, remit to the Government all payments received by the borrower on account of the principal of consumer obligations during the preceding month.

The borrower may make loans to its consumers in accordance with the following terms and conditions:

1. The minimum amount of any such loan shall not be less than \$10.00.
2. The maximum amount of any such loan to one consumer borrower outstanding at any one time shall not exceed \$1,000.00 unless the REA borrower received prior approval from REA for a larger amount.
3. It is recommended that the down-payment on equipment to be financed be 20 percent of the installed price, but in no event less than 10 percent of the installed price.
4. The repayment period for such loans shall not exceed 5 years.
5. Repayments on such loans may be on a monthly, quarterly, semi-annual, or annual basis.

These terms and conditions are subject to regulations of the Federal Reserve Board and other agencies governing consumer financing and credit transactions.

REA borrowers shall charge 4 percent interest per annum on the current unpaid balance on all consumer notes and contracts financed through these Section 5 loans.

The REA borrowers making use of the funds provided for by Section 5 of the RE Act shall have a well organized and satisfactory credit committee which shall be fully responsible for approving applications for loans to the borrowers' consumers.

Recording an Installation Loan Contract

Upon receipt of an approved installation loan contract from REA, the amount of the allocation should be set up immediately in the borrower's records by journal entry as follows:

Debit 135.21 Allocation Installation--Loan Contract

Credit 213.21 Long-Term Debt--Installation Loan Contract

Recording Installation Notes

Amounts of loan contract covered by executed notes should be recorded as follows:

Debit 135.22 Allocation Installation--Notes Executed
Credit 213.22 Long-Term Debt--Installation Notes Executed

Debit 213.21 Long-Term Debt--Installation Loan Contract
Credit 135.21 Allocation Installation--Loan Contract

Recording an Advance of Funds

When an advance of funds has been received, the following entry should be made:

Debit 120.3 Cash--REA Installation Loan Fund
Credit 135.22 Allocation Installation--Notes Executed

Payment to Contractor

When negotiations are entered into by the consumer with the cooperative to finance an installation loan, after proper execution of the conditional sales contract, a check is drawn payable to the contractor after the services are performed. Payment should be made during the month in which the contractor's invoice is received, or soon thereafter:

Debit 124 Notes Receivable
Credit 120.3 Cash--REA Installation Loan Fund

Repayments by the consumer borrower, on the installation plan, are recorded as follows:

Debit 120.4 Cash--Installation Loan Payment
Credit 124 Notes Receivable
524.2 Other Interest Revenues

Accounting for Accrued Deferred Interest

In accordance with the terms of the REA Installation Note, interest is to accumulate for two years from date of note. Therefore, so that the interest accumulated but deferred can be recorded on the books, the following journal entry will be recorded monthly:

Debit 530.2 Interest on REA Installation Loan
Credit 229.2 Interest Accrued--REA Installation Obligation

Payment of Principal and Interest by REA Borrower

As accumulated interest becomes due and payable, after the two-year accumulating period, the remittance made to the Government is recorded as follows:

Debit 229.2 Interest Accrued--REA Installation Obligation
Credit 120.4 Cash--Installation Loan Payment

As remittances are made to the Government for principal, with interest thereon, record as follows:

Debit 213.22 Long-Term Debt--Installation Notes Executed
229.2 Interest-Accrued--REA Installation Obligation
Credit 120.4 Cash--Installation Loan Payment

For further details in regard to Wiring and Plumbing Loans, see cooperative's copy of INSTALLATION LOANS PROCEDURE.